

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 USIA-15 AID-05 EB-07
NSC-05 EPG-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 /110 W
-----071836Z 100638 /43

R 071709Z JUN 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8855
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL FRANKFURT

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USEEC ALSO FOR EMBASSY, USOECD ALSO FOR EMBASSY

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, ECON, GW
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING JUNE 6)

1. MONEY MARKET:
EXCEPTING DEVELOPMENTS ON THE FINAL WORKING DAY IN MAY,
WHICH WAS SUBJECT TO SPECIAL PRESSURES AS BANKS FOUND
THEMSELVES WITH SUBSTANTIAL EXCESS RESERVES AND THERE-
FORE BID THE CALL MONEY RATE DOWN TO A 2.0-3.0 PERCENT
RANGE, MONEY MARKET RATES HAVE REMAINED FAIRLY STABLE
IN THE FRG DURING THE PERIOD UNDER REVIEW. FRANKFURT
INTERBANK RATES FOR THE PERIOD WERE AS FOLLOWS:
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CALL MONEY ONE-MONTH THREE-MONTH

MAY 31	2.0-3.0	4.20	4.30
JUNE 1	4.0-4.2	4.25	4.35
2	3.9-4.1	4.25	4.30
3	3.9-4.1	4.25	4.30

6 3.8-4.0 4.25 4.30

2. BOND MARKET:

PRICES ON THE MARKET FOR DOMESTIC BONDS TURNED DOWNWARD IN THE PAST WEEK WITH SOME ISSUES, NOTABLY THOSE OF PUBLIC AUTHORITIES, LOSING UP TO .50 PERCENTAGE POINTS ON MONDAY, JUNE 6 ALONE. THE RECENTLY ISSUED 6.5 PERCENT FEDERAL RAILWAY LOAN, FOR EXAMPLE, IS CURRENTLY TRADING AT 99.00 AS COMPARED TO ITS ISSUE PRICE OF 99.50 AND A RECENT HIGH OF 100. CONCERNING UPCOMING BOND PLACEMENTS, THE CREDIT COMMITTEE OF PUBLIC AUTHORITIES HAS ANNOUNCED THAT THE FEDERAL GOVERNMENT WILL BE IN THE MARKET IN LATE JUNE OR EARLY JULY TO RAISE DM 800 MILLION. OBSERVERS EXPECT THE INTEREST RATE TO BE 6.5 PERCENT. OTHER BORROWINGS ANNOUNCED BY THE COMMITTEE WERE A DM 300 MILLION BORROWING BY THE FEDERAL GOVERNMENT FOR THE EQUALIZATION OF BURDENS FUND EXPECTED IN MID-JULY AND A DM 200 MILLION ISSUE BY THE CITY OF HAMBURG IN LATE JULY.

ON THE MARKET FOR FOREIGN DM BONDS THE FOLLOWING HAVE BEEN REPORTED: NORWEGIAN NORTH GAS: DM 100 MILLION, COUPON 7.75 PERCENT, ISSUE PRICE 99.5 WITH A MATURITY OF 7 YEARS; INDUSTRIAL AND MINING BANK OF IRAN: DM 120 MILLION, MATURITY 10 YEARS, REPAYMENT TO BEGIN AFTER 5 YEARS, WITH A COUPON OF 7.75 PERCENT; THE JAPANESE CITY OF KOBE: DM 100 MILLION, COUPON 6.5 PERCENT, MATURITY 10 YEARS.

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3. MONEY SUPPLY:

IN APRIL, M1 AND M2 AND M3 DEVELOPED AS FOLLOWS (CHANGES IN DM BILLION):

SEASONALLY ADJUSTED SEASONALLY UNADJUSTED

JAN FEB MAR APR JAN FEB MAR APR

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M1 7.1 2.0 -1.3 1.2 -8.8 1.3 0.3 2.9

M2 1.1 2.1 1.0 1.0 -14.9 2.2 -2.3 4.1

M3 5.3 4.1 1.5 1.6 -8.9 3.2 -3.5 3.5

INDIVIDUAL DETERMINANTS OF THE MONEY SUPPLY DEVELOPED

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AMCONSUL FRANKFURT

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AS FOLLOWS (SEASONALLY NON-ADJUSTED; CHANGES IN DM
BILLION):

	APRIL	MARCH
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1977	1976	1977
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I. LENDING TO DOMESTIC

NON-BANKS	7.5	5.6	8.6
FROM BUNDESBANK	-0.1	-0.2	-0.1
FROM COMMERCIAL BANKS	7.6	5.8	8.7
TO PUBLIC SECTOR	1.4	0.9	2.5
TO PRIVATE SECTOR	6.1	4.9	6.2

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II. NET EXTERNAL POSITION OF
BUNDESBANK AND COMMERCIAL

BANKS	-1.2	1.0	1.4
III. LONG-TERM BANK DEPOSITS			
AND OUTSTANDING BANK			
BONDS (1)	3.6	3.9	3.8
IV. OFFICIAL ASSETS HELD AT			
CENTRAL BANK	-2.7	-4.3	5.1
V. OTHER	1.9	2.0	4.6
VI. M3 (2) (EQUALS I PLUS II			
MINUS III MINUS IV			
MINUS V)	3.5	5.0	-3.5
VII. M2 (M3 MINUS SAVINGS			
DEPOSITS)	4.1	5.1	-2.3
VIII. M1 (M2 MINUS TIME DEPO-			
SITS)	2.9	2.9	0.3

(1) EXCLUDING SIGHT DEPOSITS, TIME DEPOSITS WITH MATURITIES UP TO 4 YEARS, AND SAVINGS DEPOSITS WITH 3-MONTH PERIOD OF NOTICE, AND BONDS HELD BY BANKS.

(2) CURRENCY IN CIRCULATION, SIGHT DEPOSITS, TIME DEPOSITS WITH MATURITIES UP TO 4 YEARS AND SAVINGS DEPOSITS WITH 3-MONTH PERIOD OF NOTICE.

4. FOREIGN EXCHANGE MARKET:

FRANKFURT SPOT AND FORWARD DOLLAR RATES FOR THE PERIOD MAY 31-JUNE 7 DEVELOPED AS FOLLOWS:

FORWARD DOLLARS						
SPOT DOLLARS		(IN PCT. PER ANNUM)				
OPENING	FIXING	CLOSING	ONE-MONTH	THREE-MOS		
MAY 31	2.3565	2.3564	2.3575	-2.0	-2.3	
JUNE 1	2.3605	2.3608	2.3580	-1.5	-2.1	
2	2.3555	2.3540	2.3545	-1.7	-2.1	
3	2.3540	2.3536	2.3565	-1.5	-2.1	

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6	2.3545	2.3554	2.3595	-2.0	-2.0
7	2.3609	2.3592	N.A.	N.A.	N.A.

5. DRESDNER AND DEUTSCHE BANK PLAN HYBRID BOND

OFFERINGS:

DURING THE PERIOD JUNE 14-29, THE LUXEMBOURG SUBSIDIARY OF THE DRESDNER BANK, COMPAGNIE LUXEMBOURGEOISE DE LA DRESDNER BANK, PLANS A SPECIAL DM 395 MILLION CONVERTIBLE BOND OFFERING TO DRESDNER BANK STOCKHOLDERS. SHAREHOLDERS HAVE THE RIGHT TO ACQUIRE ONE CONVERTIBLE BOND FOR EACH TWO SHARES OWNED. THE CONVERTIBLE WILL BE ISSUED AT PAR WITH A COUPON OF 5 PERCENT AND WITH A 6 YEAR MATURITY. THE CONVERSION OPTION BEGINS IN NOVEMBER 1977 ON A 4:1 CONVERSION RATIO, I.E., FOUR

BONDS FOR ONE STOCK. CONVERSIONS WHICH IN THE PERIOD 1977-1979 ARE MADE WITHOUT CHARGE ARE SUBJECT TO PAYMENT IN 1980 AND 1981 OF AN ADDITIONAL DM 50 PER SHARE. IN 1982 AND 1983 A DM 75 ADDITIONAL PAYMENT IS REQUIRED. THE CURRENT (JUNE 6) PRICE OF DRESDNER BANK SHARES IS DM 216.20.

THE DEUTSCHE BANK PLANS TO ISSUE BONDS WITH WARRANTS ATTACHED THROUGH ITS LUXEMBOURG SUBSIDIARY COMPAGNIE

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FINANCIERE DE LA DEUTSCHE BANK. THE BONDS WILL BE DENOMINATED IN U.S. DOLLARS. THE ISSUE, EXPECTED TO TOTAL \$125 MILLION, WILL CARRY A COUPON OF 4 1/2 PERCENT, AN ISSUE PRICE OF AT PAR, AND A MAXIMUM MATURITY OF 10 YEARS. EACH \$1,000 BOND GIVES HOLDERS OPTION RIGHTS FOR THE ACQUISITION OF NINE DEUTSCHE BANK SHARES. THE OPTION MAY BE EXERCISED AT A FIXED PRICE OF \$124 PER SHARE - THE AVERAGE PRICE FOR DEUTSCHE BANK STOCK DURING THE

PERIOD APRIL 27-MAY 10 - AT ANY TIME DURING THE LIFE OF
THE BOND. THE CURRENT (JUNE 6) DEUTSCHE BANK STOCK
PRICE WAS THE EQUIVALENT OF \$114.80.

6. ECONOMIC INDICATORS PUBLISHED THIS WEEK:
ACCORDING TO PRELIMINARY DATA OF THE FEDERAL STATISTICAL
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OFFICE, THE COST-OF-LIVING INDEX (NON-SEASONALLY
ADJUSTED) IN MAY EXCEEDED COMPARABLE 1976 LEVELS BY 3.8
PERCENT; IN MARCH AND APRIL, THE RATE OF INCREASE OVER
LAST YEAR CAME TO 3.9 PERCENT AND 3.8 PERCENT,
RESPECTIVELY. THE NUMBER OF NEWLY-LICENSED PASSENGER
CARS (NON-SEASONALLY ADJUSTED) CAME TO 261,325 IN APRIL;
THE RATE OF INCREASE OVER COMPARABLE 1976 LEVELS WAS
7.2 PERCENT IN FEBRUARY, 13.9 PERCENT IN MARCH, AND 2.2
PERCENT IN APRIL. APRIL ORDER VOLUME AND INDUSTRIAL
PRODUCTION DATA, AS WELL AS LABOR MARKET DEVELOPMENTS
IN MAY, ARE REPORTED SEPARATELY TODAY.
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TAGS: EFIN, ECON, GE
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